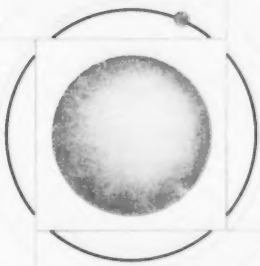
CROWN CORPORATIONS COUNCIL



A Manitoba Crown Corporation

2000 Annual Report

101-05864/

Crown Corporations Under the Purview of Crown Corporations Council During 2000

Manitoba Hydro

Manitoba Public Insurance

Manitoba Liquor Control Commission

Manitoba Lotteries Corporation

Venture Manitoba Tours Ltd.

Communities Economic Development Fund

Manitoba Agricultural Credit Corporation[1]

Manitoba Crop Insurance Corporation

[1] Under purview for period January 1, 2000 to June 30, 2000

MEMBERS OF THE COUNCIL 5

CHAIRMAN'S MESSAGE 6

PRESIDENT'S MESSAGE 7

MAJOR ACTIVITIES IN 2000 8

CROWN CORPORATIONS COUNCIL RESPONSIBILITY FOR FINANCIAL STATEMENTS 19

AUDITORS' REPORT 20

FINANCIAL STATEMENTS 21

Letter of Transmittal

The Honourable Greg Selinger
Minister responsible for
Crown Corporations Council
Province of Manitoba
103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

I am pleased to submit for your consideration the Annual Report of the Crown Corporations Council for the year ended December 31, 2000.

Yours truly,

Arthur V. Mauro
Chairman

April 19, 2001

Mission, Mandate, Objectives

MISSION

"To determine that the Crown corporations have clear mandates, performance measures and strategic plans."

MANDATE

The Crown Corporations Council's duties are defined under The Crown Corporations Public Review and Accountability Act.

1. Facilitate, in cooperation with each corporation, the development of a clearly defined mandate and a clear statement of purpose for the corporation.
2. Facilitate, in cooperation with each corporation, the development of consistent and effective criteria for measuring the corporation's performance.
3. Review long term corporate plans and capital expenditure proposals; ensure consistent practices among two or more corporations where appropriate.
4. Provide any advice to the Lieutenant Governor in Council on those plans, proposals and practices or any other matter of policy affecting corporations that may be requested by the Lieutenant Governor in Council.
5. Receive and hear submissions from any person who, in the opinion of the Council, has knowledge respecting any aspect of a corporation's activities regarding alleged failures by the corporation to comply with any Act or any policy of the Council.

OBJECTIVES

The strategic objectives reflect our mandate, as outlined in The Crown Corporations Public Review and Accountability Act.

1. To determine that each Crown has a clearly defined mandate and a clear statement of purpose.
2. To determine that each corporation measures performance.
3. To review corporate plans.
4. To review capital expenditure proposals and related government supported borrowing authority required by corporations.
5. To ensure consistent practices among corporations where appropriate.
6. To receive and act on submissions regarding alleged failures of corporations to comply with legislation or any policy of Council.

The Council

Members of Crown Corporations Council form the governing body of Council.

The Council consists of eight members appointed by the Lieutenant Governor in Council. Members are chosen to serve based on statutory provisions outlined in The Crown Corporations Public Review and Accountability Act.

One member is the Dean of the Faculty of Management of the University of Manitoba or designate from that Faculty. One member is nominated by the Institute of Chartered Accountants of Manitoba. One member is a person who, in the opinion of the Lieutenant Governor in Council, represents organizations of consumers in Manitoba.

At least three members are persons who, in the opinion of the Lieutenant Governor in Council, have demonstrated management or technical expertise.

The Audit Committee is a sub-committee of Council. The Compensation Committee and the Planning Committee are committees of the whole.

The Council, through the Chair, is accountable to the Minister responsible, the Honourable Greg Selinger, who serves as the link between Council, Cabinet and the Legislature.

Members of the Council

Arthur V. Mauro, O.C., Q.C. Counsel Aikins, MacAulay & Thorvaldson	Chairman since 1997
Janice Y. Lederman President ICAP Ventures Inc.	Vice-Chair Appointed February 2001
Candace L. Bishoff Senior Associate Counsel Manitoba Telecom Services Inc.	Member since 1999
Harry Fehr President Quarry Oaks Golf and Country Club	Member since 1999
Dr. Jerry L. Gray Dean, Asper School of Business University of Manitoba	Member since 1997
Bidhu S. Jha President & CEO Optimum Trading Corporation Ltd.	Appointed January 2000
Mel A. MacRae, CA Executive Vice-President & COO Rice Financial Group Inc.	Member since 1995
Judy A. Murphy, CA Executive Director Folk Arts Council of Winnipeg Inc.	Appointed October 2000
Garry M. Hoffman President and Chief Executive Officer	Ex-Officio Member

Chairman's Message

One of the major undertakings during the past year was completion of a Ten Year Retrospective. This provided Council and Minister the opportunity to review both the activities and achievements of Council since its inception.

On balance that review indicates that Council has fulfilled its mandate as set out in the enabling legislation. Since inception Council has focused on enhancing and monitoring public accountability of Crowns' commercial and public policy goals and objectives.

In addition Council reviewed Crown Corporation plans and governance with a view to facilitating corporate effectiveness in accordance with specific corporate mandates. This process continued to focus on key business strategies while allowing management to operate within guidelines approved by the respective Boards.

As reflected in this annual report the year evidenced continued improvement in Crown operations including effective handling of the Y2K problems. This was due to the skill and diligence of the Boards and staff of the respective corporations.

Respectfully submitted,

Arthur V. Mauro
Chairman

President's Message

Council relocated their offices from Kenaston Blvd. to 1130 - 444 St. Mary Avenue in downtown Winnipeg. Council had been at the Kenaston location for 10 years and with the expiration of the lease it was determined that Council could better serve from a downtown location.

In July Manitoba Agricultural Credit Corporation advised Council that no levies would be paid for the remainder of the year. Additionally, Manitoba Crop Insurance Corporation advised Council that no levies would be paid starting January 1, 2001. Council has discontinued its monitoring of these Crowns. The two Crowns had been placed under Council's purview in 1997 by Ministerial direction.

Council completed a 10 Year Retrospective review. Governance orientation sessions were provided to several Crown corporation Boards of Directors. Council co-sponsored a corporate governance forum with the Institute of Public Administration of Canada, Manitoba Chapter. This forum allowed Crown directors and senior management to workshop the issues of risk in the boardroom.

Council reviewed the policies and practices among Crown corporations in areas of leased vehicles, travel, entertainment, community support, donations and corporate sponsorship. While the review determined that there were no policy issues that warranted specific remedial attention, there is an opportunity to improve understanding of policy development and the approval process.

Council's review of Manitoba Hydro focused on debt and treasury risk management and Centra Gas rate and price management activities.

Council's review of Manitoba Public Insurance indicated that the business risk faced by MPI is Low with a Positive trend. This remains unchanged from the previous year.

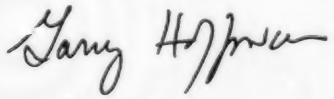
The assessment of Venture Manitoba Tours Ltd. indicated that risk remains High. The trend has changed from Stable to Negative due to the short-term financial outlook and the requirement for infrastructure capital expenditures to address deficiencies.

The business risk facing Communities Economic Development Fund was assessed as Medium with a Positive trend unchanged from the previous year.

Council's review of Manitoba Agricultural Credit Corporation indicated the business risk as Medium with a Negative trend, unchanged from the previous year.

The business risk facing Manitoba Crop Insurance Corporation was assessed as Medium with a Positive trend, unchanged from the previous year.

Financial statements indicate that Council's expenses were modestly down from the previous year.



Garry M. Hoffman
President and Chief Executive Officer

Major Activities in 2000

A TEN YEAR RETROSPECTIVE

Crown Corporations Council (Council) has operated for over ten years under the provisions of The Crown Corporations Public Review and Accountability Act (Act). In 2000 a self-assessment was conducted similar to that followed in assessing the mandates, strategies and corporate performance of Crown corporations.

Since inception, Council has focused on enhancing and monitoring public accountability of the Crowns' commercial and public policy goals and objectives. At the time Council was established the environment within the Crown corporation sector included:

- significant Crown sector losses;
- poor financial position and poor planning;
- Crowns operating without clear mandates;
- lack of public accountability;
- lack of scrutiny of rates for service; and
- an increasing loss of public confidence in the operations of Crowns.

The Crown Corporations Public Review and Accountability Act's governance provisions were intended to address these conditions. There has been notable improved performance of the Crowns in addressing these circumstances.

Council's organizational and operational emphasis has focused on enhancing and monitoring public accountability of the various Crown corporations. In this context Council's mission, resources and activities are focused on accomplishing the mandated objectives set out in the Act.

Council is satisfied that mandated objectives have been achieved and that its public accountability mandate remains relevant. Importantly for Government and citizens of Manitoba, Crown sector performance has improved over the period since establishment of the Council.

In pursuit of Council's mandate reliance is made on Crown corporation cooperation to secure information supporting corporate strategies and decisions and performance information in a timely manner. This approach has generally been successful, but not always effective.

While there have been improvements in governance, planning, performance and accountability, there remain opportunities for continued improvement.

Major Activities in 2000

CROWN CORPORATION PRESENTATIONS

Senior officials of individual Crown corporations meet with the Council periodically to review corporate objectives, strategies, opportunities and issues facing their business. In 2000 Manitoba Hydro, Manitoba Liquor Control Commission, Manitoba Public Insurance and Communities Economic Development Fund made presentations to Council.

CORPORATE GOVERNANCE

Throughout 2000 Council provided governance orientation sessions for several Crown corporation Boards of Directors. These included Manitoba Hydro, Manitoba Liquor Control Commission, Manitoba Public Insurance, Communities Economic Development Fund and Manitoba Agricultural Credit Corporation.

These sessions focused on assisting Directors in understanding their governance role, responsibilities and requirements set out in The Crown Corporations Public Review and Accountability Act.

In addition, Council sponsored a forum held as part of the Manitoba Annual Forum of the Institute of Public Administration of Canada. The *Governance with Foresight Forum* included a workshop and a session, which focused specifically on Crown corporation governance. "Learning About Risk in the Boardroom" provided participants with perspectives on addressing risk through a case review of governance and risk management that arose concerning a British Columbia Ferry Corporation major capital project.

The session provided insight on governance of Saskatchewan's Crown corporations. The Forum's discussion on performance measurement and reporting assisted in understanding the link between measurement and reporting to strategic direction and public policy objectives.

COUNCIL REVIEWS

Reviews of Crowns are conducted to assess various aspects of the corporation. The areas considered during a particular review will vary from corporation to corporation and from time to time but typically include key areas such as mandate and statement of purpose, long-term corporate plans and strategies and corporate performance. The following highlights work undertaken to meet our strategic objectives in 2000.

Major Activities in 2000

CROWN CORPORATIONS 2000/2001 CAPITAL EXPENDITURES

Council's review of the Crown corporations' capital expenditure programs is undertaken to meet a required part of Council's mandate outlined in The Crown Corporations Public Review and Accountability Act. The review considers each program within the context of the corporation's mandate, strategic plans, financial condition and budgeting process. The corporations in total budgeted $388 million in capital expenditures for the fiscal year 2000/01. Manitoba Hydro's capital program comprised the major portion of the expenditures.

The major portion of F2000/01 expenditures reflected replacement - maintenance of business and/or replacement - cost reductions, productivity, efficiency, customer service improvements or other types of expenditures of a non-strategic nature. The exception is the new Brandon gas-fuelled generation project by Manitoba Hydro.

Overall the F2000/01 capital expenditures reviewed were consistent with the Crowns' mandates and corporate plans and strategies. Based on the information provided by the Crowns relative to their strategic plans and budgets, no major factors were identified at that time that would contribute to a significant change in a risk assessment of a Crown.

SUMMARY OF CAPITAL EXPENDITURES

Crown Corporation $ Millions	Budget 2000/2001
Manitoba Hydro	372.7
Manitoba Public Insurance	8.0
Manitoba Lotteries Corporation	4.0
Manitoba Liquor Control Commission	2.9
Venture Manitoba Tours Ltd.	0.6
Total Expenditures	388.2

SUBMISSIONS TO COUNCIL

There were no new submissions made to Council during the 2000 reporting period concerning allegations or complaints made against any Crown corporation under Council's purview.

Major Activities in 2000

CONSISTENT PRACTICES

Council reviewed the policies and practices among Crown corporations in the general areas of leased vehicles, travel, entertainment, community support, donations and corporate sponsorship.

In general the policies and stated procedures for the above noted areas are comparable to Government policy outlined in the Province's General Manual of Administration (GMA). The GMA, which is authorized by Manitoba's Treasury Board, indicates that it does not generally apply directly to Crown corporations on the noted expenditures. An exception is noted for travel and related expenses. The GMA states that, although sections are not applicable to corporations having their own executive management, the corporations should be guided by the GMA's contents and apply the material, where practical, within their organization. Treasury Board places an expectation upon the Crowns that development of policy should consider the direction that departments and agencies of the Provincial Government must follow.

Differences between Crown corporation policies and the GMA are typically related to the nature of Crown business but are not materially different from policies followed by Government Departments.

The review determined there were no policy issues that warranted specific remedial attention at that time. Absent "ideal" policies covering the matters reviewed: they should be subject to periodic review and oversight to ensure consistency with Government policy. There is opportunity to improve understanding of the policy development and approval processes of Crown boards in the subject areas. Further, there is opportunity to improve management accountability to Boards for policy compliance.

Major Activities in 2000

MANITOBA HYDRO

Council reviewed selected Hydro risk management activities in 2000. The areas included debt and treasury risk management and Centra Gas rate and price management activities.

Council was encouraged that Hydro established an Enterprise Risk Management department whose current focus is developing a proposed corporate-wide integrated risk management approach and framework. An integrated risk management approach is being adopted by many organizations. An important benefit is that it enables an aggregated assessment of exposures on a corporate-wide basis providing a common framework for limiting and monitoring risk management.

Hydro's treasury risk management activities focus on managing the exposure and main risks of changes in interest rates and foreign currency exchange rates. Management of these risks is closely integrated with debt management, cash management, financing policies and strategies.

The Corporation uses instruments such as swaps, option and foreign exchange contracts to execute financing strategies and manage its exposure to changes in interest rates and foreign exchange rates. The value of these instruments will fluctuate with changes in interest rates and currency. Swaps are used as a financing and debt management tool as well as to manage risk.

The Province transacts all derivative financial instruments on Hydro's behalf since the underlying debt is issued in the Province's name. The Province acts as Hydro's fiscal agent in executing derivative transactions on these advances. The Province is responsible for performing all of the associated duties, signing of the contracts, settlement of all financial cash flows, and monitoring credit limits with financial counterparties. Hydro settles with the Province on the net cash impact of all derivative transactions that have been executed on a Hydro advance.

Sufficient information on the transactions was not available to provide commentary on the effectiveness and/or underlying risks associated with Hydro's use of the instruments.

Manitoba Hydro's financial statements reflect the net impact of all derivative instruments made by the Province on Hydro's advances. Notes to the financial statements for the fiscal year ended 1999 and 2000 disclose the use of swaps and other financial instruments and that the use has effectively reduced the interest rate exposure on long-term debt having a book value of $2.5 billion and extended the existing debt maturity dates by 10 to 20 years.

Financing, debt retirement and exposure management goals, policies and strategies are prepared and reviewed within Hydro and reviewed with a Joint Finance Committee with the Province. Policy limits for floating rate debt and U.S. dollar exposure, refinancing exposure on long-term debt and term of debt have been established and approved through the process noted above.

Major Activities in 2000

MANITOBA HYDRO (continued)

Our observation is that Hydro has an approval process in place along with policies outlining some limits. However, it may not necessarily reflect the elements of best practice regarding these activities. These elements include clear policy and definition of risk management limits (approved by a Board of Directors) for management of debt and different types of risk, performance measurement policy and methods, controls, and monitoring and management reporting. An essential component of any practices in these areas is the role of Internal Audit.

Rate volatility and financial losses from the use of derivatives represented a significant risk by Centra before Hydro's acquisition.

Centra's Board of Directors and the Public Utilities Board (PUB) approved a new rate management policy and plan. The plan and policy is designed to achieve the objectives of attaining the lowest possible costs while having due regard for rate volatility. The customers bear the risk exposure of the volatility in the gas prices rather than Hydro since these costs are directly passed on to the customer's bills. Hydro simply manages this volatility on behalf of the customer.

The approach focuses primarily on the Rate Management Program, approved by PUB. The program incorporates quarterly review and approval by PUB of required changes in the cost of primary gas to be passed on to the customer. In addition only 50% of the forward changes in market prices are incorporated into the customer rates for each rate change.

Derivatives are used selectively to complement the management of price volatility through the Rate Management Program. Hydro has put in place an organizational structure and policies and procedures to support appropriate management of the use of these types of instruments. They are satisfied that these enhancements will address problems encountered by Centra before the acquisition.

At the time of our review the derivatives hedging policy was being revised to provide more details on hedging objectives and strategies and the circumstances under which derivatives can be used for hedging purposes. We note that the operating procedures outlined stated that a type of risk measurement methodology was applied as part of the monitoring procedures. We would suggest the policy and procedures in place be reviewed to ensure they reflect the current methods being employed.

The principles and practices put in place follow appropriate practices in this area.

Major Activities in 2000

MANITOBA PUBLIC INSURANCE

Manitoba Public Insurance's mandate is to fulfill the significant socio-economic purposes set out in The Manitoba Public Insurance Corporation Act. MPI's business activities remain relevant, responding to the needs of Manitobans for access to universally affordable automobile insurance, within the identified public policy framework.

MPI pursues its mandate with appropriate commercial objectives that balance social purpose with fiscal responsibility. In discharging their governance and accountability responsibilities MPI's Directors demonstrate a high standard of care and diligence.

Among its original objectives MPI was to:

- offer compulsory universal auto insurance;
- return at least 85% of premium revenue in the form of claim benefits;
- operate at a lower cost than private insurers;
- offer lower rates than private insurers;
- provide comparable or superior coverage to that available in other jurisdictions;
- provide convenient and accessible service to all Manitobans;
- invest primarily in securities issued in Manitoba;
- pursue loss prevention and traffic safety programs; and
- operate as a self-sufficient entity.

Council's annual reviews confirm that MPI continues to achieve these objectives.

MPI's planning processes and assumptions are appropriate to the Corporation's business environment. MPI continues to focus its efforts on ensuring that intended outcomes are achieved and that operations effectively safeguard public assets.

MPI has appropriate strategies to identify and mitigate business risk in its compulsory Basic Autopac and competitive lines of business, Autopac Extension and Special Risk Extension. MPI's Board and management are implementing these strategies effectively.

MPI delivers service and value in a manner that is consistent with broad Government policy. MPI manages its investment portfolio and business operations with due regard for economy, efficiency and effectiveness.

The business risk facing Manitoba Public Insurance was assessed as Low, with a Positive trend, unchanged from the previous year.

Major Activities in 2000

VENTURE MANITOBA TOURS LTD.

Council's review focused primarily on current issues facing the Corporation, their financial impact and the Corporation's ability to achieve financial self-sufficiency over the long term.

At the time of the review, the short-term outlook for Venture was not favourable. The voluntary closure of the resort February 17 to March 5, 2000 in response to the two incidents of guest illnesses from an unidentified source had a material affect on occupancy levels and consequently financial results.

Appropriate steps were taken by the Corporation to mitigate the negative public perception resulting from the association with a viral infection and adverse media.

This included engaging a communications firm to develop and implement a communication plan to manage the issue, provide accurate disclosure of the facts to stakeholders and bring closure to the incidents.

The Corporation responded to the situation by marketing program changes and postponement of a modest amount of capital expenditures.

Infrastructure deficiencies were identified as a result of two independent engineering inspections conducted to reduce property and liability risks. The deficiencies are being addressed.

It will be difficult for Venture to achieve its key corporate goal of financial self-sufficiency. It is not likely that it will be able to retire or significantly reduce its debt obligation due to the ongoing need for capital investment during times of unfavourable financial results.

The risk assessment remains High. The trend warranted a change from Stable to Negative due to the key factors noted earlier.

Major Activities in 2000

COMMUNITIES ECONOMIC DEVELOPMENT FUND

The Development Fund's mandate is to fulfill the significant socio-economic purposes set out in The Communities Economic Development Fund Act. The Development Fund's business activities remain relevant, responding to the needs of targeted populations for access to capital and other assistance, within the identified public policy framework. The Development Fund pursues this mandate with appropriate commercial objectives that balance social purpose with fiscal responsibility. In discharging their governance and accountability responsibilities the Development Fund's Directors demonstrate an appropriate level of diligence.

The Development Fund's planning processes and planning assumptions are appropriate to the Fund's business environment. The Fund continues to focus its efforts on ensuring that intended outcomes are achieved and that operations effectively safeguard public assets.

The Development Fund is effectively delivering its mandate to provide financial and other assistance to entrepreneurs and Government in support of enterprise development and expansion in northern Manitoba through the Business Loans Program. The Development Fund is effectively delivering the Fisheries Loan Program in support of both Manitoba's commercial fishery and community enterprise development.

The higher risk inherent in the Development Fund's lending portfolios reflects the nature of its mandate. The Fund has appropriate strategies to identify and mitigate credit risk in its lending portfolios. The Board and management are employing these strategies effectively.

The business risk facing the Development Fund was assessed as Medium, with a Positive trend, unchanged from the previous year.

Major Activities in 2000

MANITOBA AGRICULTURAL CREDIT CORPORATION

Since 1997 Council has been under ministerial direction to review Manitoba Agricultural Credit Corporation.

MACC's mandate is to fulfill the significant financial and social purposes set out in The Agricultural Credit Corporation Act. The Corporation's business activities remain relevant, responding to the needs of targeted populations for access to capital and other assistance, within the identified public policy framework. MACC pursues this mandate with objectives that balance social purpose with fiscal responsibility. In discharging their governance and accountability responsibilities MACC's Directors demonstrate an appropriate level of diligence and care.

MACC's planning processes and planning assumptions are appropriate to Manitoba's agricultural environment. MACC continues to focus its efforts on ensuring that intended outcomes are achieved and that operations effectively safeguard public assets.

MACC is effectively delivering its mandate to provide financial assistance in support of agricultural enterprise development and expansion in Manitoba through direct lending and guarantee programs.

MACC has appropriate strategies to identify and mitigate credit risk in its lending activities. MACC's Board and management are employing these strategies effectively. MACC manages its lending portfolios and business operations with due regard for economy, efficiency and effectiveness.

The business risk facing MACC was assessed as Medium, with a Negative trend, unchanged from the previous year. The higher risk attributable to MACC's lending activities reflects the nature of its mandate. MACC will continually be exposed to potential loan losses in excess of those faced by conventional lenders.

Major Activities in 2000

MANITOBA CROP INSURANCE CORPORATION

Since 1997 Council has been under ministerial direction to review Manitoba Crop Insurance Corporation.

MCIC's mandate is to fulfill the significant financial and social purposes set out in The Crop Insurance Act and the Canada-Manitoba Agreements on Agricultural Safety Nets. That mandate is, in part, to compensate Manitoba's agricultural producers for losses caused by risks that are beyond their control.

The Corporation's business activities remain relevant, responding to the needs of agricultural producers for risk management programs that provide stability and assist in adapting to change. MCIC pursues this mandate with objectives that balance social purpose with fiscal responsibility. In discharging their governance and accountability responsibilities MCIC's Directors demonstrate an appropriate level of diligence and care.

MCIC's planning processes and planning assumptions are appropriate to Manitoba's agricultural environment. MCIC continues to focus its efforts on ensuring that intended outcomes are achieved and that operations effectively safeguard public assets.

MCIC continues to be a significant presence in the Province's agricultural community. MCIC is effectively delivering its mandate to provide agricultural risk management programs that provide stability and assist in adapting to change.

MCIC effectively delivered the emergency 1999 Manitoba Farm Disaster Assistance Program and continues to deliver the $100 million Canada-Manitoba Adjustment Program. These special assistance programs support Government's agriculture policy objectives.

The business risk facing MCIC was assessed as Medium, with a Positive trend, unchanged from the previous year.

Crown Corporations Council Financial Statements

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Crown Corporations Council is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements have been prepared in conformity with accounting principles generally accepted in Canada, reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors. The statements have been examined by Ernst & Young, LLP, independent external auditors, whose opinion is included herein.

The preparation of the financial information contained in the annual report necessarily involved the use of certain estimates and judgments which have been reached based on careful assessment of data available through the Council's information systems.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Council. Management maintains an appropriate system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements.

The Audit Committee of the Board of Directors meets periodically with officers of the Council and the Council's auditors. The auditors have free access to this Committee, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

Auditors' Report

To the Members of
Crown Corporations Council

We have audited the balance sheet of **Crown Corporations Council** as at December 31, 2000 and the statement of income and reserve reflecting net investment in capital assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada
February 23, 2001.

Chartered Accountants

Crown Corporations Council

BALANCE SHEET

	December 31 2000	1999
	(thousands of dollars)	
ASSETS		
Current:		
Cash	$497	$312
Accounts receivable	5	13
	502	325
Capital assets (note 4)	19	35
	$521	$360
LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 52	$ 44
Levies received in advance	177	148
Due to Manitoba Crown corporations (note 3)	273	133
	502	325
Reserve reflecting net investment in capital assets	19	35
	$521	$360

Approved by the Board

Chairman

Director

(see accompanying notes)

STATEMENT OF INCOME AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS

	Year Ended December 31	
	2000	1999
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	$591	$650
Interest	16	9
	607	659
Expenses		
Salaries and benefits	$409	$472
Board remuneration and expenses	67	73
Rent	62	56
Depreciation	18	18
Office supplies and printing	17	16
Professional fees	9	11
Corporate governance conference	9	0
Automobile expense	7	6
Telephone and courier	6	8
Travel	6	7
Equipment rental and maintenance	6	5
Moving expenses	4	0
Professional development	2	4
Insurance and miscellaneous	1	1
	623	677
Excess of expenses over income	$ (16)	$ (18)
Reserve reflecting net investment in capital assets, beginning of year	35	53
Reserve reflecting net investment in capital assets, end of year	$ 19	$ 35

(see accompanying notes)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

1. Nature of organization

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under The Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview.

2. Significant accounting policies

a) Recoveries of expenses from Crown corporations through levies

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred.

b) Reserve reflecting the net investment in capital assets

The purchase of capital assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's capital assets.

c) Capital assets

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

d) Retirement allowances

Retirement allowances are provided to certain qualifying employees. The costs of benefits earned by employees are charged to expenses as services are rendered. The cost reflects management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, the actuarial present value of the accrued entitlement as at January 1, 2000 is being amortized to income on a straight-line basis over the expected average remaining service life of the employee group.

3. Due to Manitoba Crown corporations

These amounts represent a retroactive adjustment to levies based on Council's actual expenses.

4. Capital assets

These are comprised entirely of office furniture and equipment and computer equipment:

	December 31 2000	December 31 1999
	(in thousands of dollars)	
Cost		
Office furniture and equipment	$ 52	$ 58
Computer equipment	55	81
	$107	$139
Accumulated depreciation		
Office furniture and equipment	50	58
Computer equipment	38	46
	88	104
Net book value	$ 19	$ 35

5. Pension costs and obligations

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund.

6. Lease commitments

The Council is committed under a premises lease expiring on April 30, 2005 to annual basic rental payments of approximately $32,400 and annual common area and operating costs of approximately $26,300.

7. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.